**Abstract**

Air transport is the most modern, the quickest and the latest addition to the modes of transport. Because of speed with which aeroplanes can fly, travel by air is becoming increasingly popular. As far as the world trade is concerned it is still dominated by sea transport because air transport is very expensive and is also unsuitable for carrying heavy, bulky goods. However, transportation of high value light goods and perishable goods is increasingly being done by air transport. The financial health of companies declined despite liberal Government patronage, particularly from 1949, and an upward trend in air cargo and passenger traffic. The trend, however, was not in keeping with the expectations of these airlines which had gone on an expansion spree during the post-World War II period, acquiring aircraft ad spares. The Government set up the Air Traffic Enquiry Committee in 1950 to look into the problems of the airline. Though the Committee found no justification for nationalization of airlines, it favored their voluntary merger. Such a merger, however, was not welcomed by the airlines.